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From: Lanzendorf Britta CHBS
Sent: Friday, September 23, 2005 10:15 AM
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Cc: Lawrence David CHBS; Sirchio Kris CHBS; Suter Jan Martin CHBS; Patrick Mark CHBS; Atkin John CHBS; Fischer Valdemar USGR; Guimaraes Antonio BRSP; Pisk Davor SGSG; Rezende Maercio CHBS
Subject: The Transparent Way Forward To The CP/PP Development Budget 2006

From: Furter Rolf CHDI
Sent: Freitag, 23. September 2005 15:48
To: Lanzendorf Britta CHBS
Subject: The Transparent Way Forward To The CP/PP Development Budget 2006

Dear all

I'm impressed by the wealth and richness of Innovative Projects that come out of SYPOS 2005. I wanted to thank you for the amazing work that has been accomplished to date in order to complete the business cases and the work currently done for getting the prioritisation right.

Based on your inputs, Jasper Barnes and the Programme and Portfolio Management Team have now assembled the "Wish List 2006" and here is the result in Key Figures:

- 730 projects are ongoing projects with a projected cost for 2006 of \$327M
Highlights
 - 8 Projects are coming with the new ai's with a projected cost for 2006 of \$102M (proof for the power of the Velocity Model)
 - 324 projects are coming with new mixtures, on-going or proposed with a project cost for 2006 of \$120M total (proof for the power of the Gap Filling Initiative)

In total, we see 1077 projects corresponding to a total demand of \$448M.

In addition to these project related cost, we expect up to 20m\$ cost if we promote the Sumitomo compound (+\$8.5M, probability > 50%) and if we would be successful in some other Licensing-In activities (probability again > 50%).

My conclusion: Many and great opportunities for investment !

BUT: our LE3 for 2005 will take us to around m\$330 !

In order to facilitate a well-structured discussion with CPLT, PPLT and RDLT, I want to elaborate three budget options.

- 400m\$: This budget option would allow to exploit an additional series of PLCM projects which would fuel short to mid-term growth coming from portfolio improvements and gap-filling as supported by the Regions
- 380m\$: This budget option would allow to exploit some more investment opportunities (and feed PP projects acc to the Strategic Plan) but still cutting out 68m\$ projects as supported by the Regions
- 350m\$: This lowest budget option would fully support the new ai related projects and accommodate the licensing-in for Sumitomo, but it will not allow any new PLCM projects, nor any additional licensing in.

With each of these budget options we will give a full picture of Lost Opportunities versus Reduced Investments allowing us to have a full discussion at high level. For the quality and value of this discussion, we need a very high data integrity and a high quality of the business cases.

No matter which option we will choose and go forward with, we will need to make many painful priority decisions. Please support the quality of this process with top communication over the next few weeks which will help us to manage the

expectations.

My approach to this challenge is going for complete openness and co-creation between regions and functions and I hope that it will take us to an Agreed Project List for 2006 by November 2, which is broadly owned across teams and regions.

The Portfolio Process Milestones are as follows:

- 1) First Cut Wish List of 2006 projects delivered to CP and PP for Global and Regional discussions on 20/09/05
- 2) The Wish List will be prioritized by CP and PP by 03/10/05
- 3) 2006 Project Portfolio will be optimized to budget scenarios on 03/10/05 and Proposed Project List's generated
- 4) The Proposed Project List's will be delivered to CP & PP by 05/10/05
- 5) Budget and portfolio shape discussions with Global CP and PP will occur from 10/10/05 to 14/10/05
- 6) Global and Regional review of the Proposed Project List's should be complete by 17/10/05
- 7) Proposed Project List will be discussed by PLTs & PP from 24/10/05 to 28/10/05
- 8) Portfolio presentation to CPLT and PPLT in November
- 9) Agreed Project List set following CPLT and PPLT meetings in November
- 10) SEC Discussion and budget approval on 16/11/05 to 18/11/05

With best regards
Rolf Furter